LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7190
BILL NUMBER: HB 1320

NOTE PREPARED: Feb 25, 2004
BILL AMENDED: Feb 23, 2004

SUBJECT: Human Services.

FIRST AUTHOR: Rep. Hasler
FIRST SPONSOR: Sen. Miller

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *Community Mental Health Centers:* This bill provides that the maximum appropriation and tax levy for community mental health centers must be annually recalculated based on the increase in the assessed value growth quotient. The bill separates the laws concerning financing community mental health centers from the laws concerning financing community mental retardation and other developmental disabilities centers.

Intergovernmental Transfers: The bill allows the Office of Medicaid Policy and Planning to make alternative payments to hospitals if the federal Centers for Medicare and Medicaid Services (CMS) determines that the current payments are not eligible for federal financial participation.

Study of Continuous Eligibility: This bill requires the Select Joint Commission on Medicaid oversight to study certain effects resulting from the repeal of continuous eligibility under the Indiana Medicaid program and the Children's Health Insurance Program. The bill also repeals an obsolete provision.

Effective Date: (Amended) July 1, 2003 (Retroactive); December 12, 2003 (Retroactive); January 1, 2004 (Retroactive); July 1, 2004.

Explanation of State Expenditures: (Revised) *Community Mental Health Centers:* **The increased levies for mandatory county appropriations discussed below in *Explanation of Local Revenues* would result in additional state expenditures for PTRC and homestead credit estimated at $116,000 in FY 2004 (partial year), $372,000 in FY 2005, and $434,000 in FY 2006.** PTRC and homestead credits are paid from the Property Tax Replacement Fund (PTRF) which is annually supplemented by the state General Fund. A change in expenditures from the PTRF will ultimately affect the General Fund.
(Revised) *County Optional Supplemental CMHC Appropriations:* **If each county, at its option, increases its actual**

levy (as explained in *Explanation of Local Revenues*), the state would have additional expenditures for PTRC and Homestead Credit estimated at $4.5 M in FY 2004 (partial year), $13.6 M in FY 2005, and $14.2 M in FY 2006.

Intergovernmental Transfers: This bill contains a provision that would allow OMPP to implement payments to hospitals under an intergovernmental transfer program in the event that CMS will not approve the payment plan authorized by P.L. 255-2003. The bill also provides a method for payments to hospitals using the nonfederal share of the same funding source to establish a payment program by the Office in the event that CMS would not approve the payment plans outlined in the bill.

Study of Continuous Eligibility: This bill would require the Select Joint Commission on Medicaid Oversight to study, during the 2004 interim, costs and issues concerning elimination of continuous eligibility for children eligible for Medicaid or the Children's Health Insurance Program (CHIP). The 12-member Commission is comprised of six members of the Senate and six members of the House of Representatives. The Commission operates under the policies governing study committees adopted by the Legislative Council. Legislative Council resolutions in the past have established budgets for interim study committees ranging from $6,000 to $9,000 per interim for committees with fewer than 16 members. This provision may be accomplished within the resources made available to legislative study committees by the Legislative Council.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) *Community Mental Health Centers:* Under this bill, mandatory county appropriations (and local property tax levies) would rise by an estimated $1.7 M in CY 2004, $2.0 M in CY 2005, and $2.3 M in CY 2006.

Under current law, counties must make an appropriation to fund community mental health centers from the county general fund. The appropriation may not exceed the amount that would be generated in the county by a tax rate of $0.0133, as adjusted for reassessment, per $100 of assessed value (AV). The reassessment adjustment was added by SEA 1 - 2004 and first affects appropriations in CY 2004. Except in Marion County, appropriations increased in CY 2003 as a result of the new reassessed values. In CY 2004, these appropriations will be reduced to their 2002 appropriation level plus natural AV growth (estimated at 3.3% per year beginning in CY 2005).

Under current law, business personal property AV will be reduced from 2003 to 2004. This reduction is due to the expansion of the interstate commerce exemption for inventory and the return of the personal property depreciation schedules to their original rates. The reduced personal property AV along with natural AV growth will produce a statewide total 2004 appropriation that is approximately the same as the 2002 appropriation. After 2004, the appropriation will grow at an estimated average rate of 3.3% per year under current law.

Under this proposal, each county's mandatory 2004 community mental health center appropriation would be equal to the amount levied by the county in 2002 to fund the CMHC appropriation plus growth for 2003 and 2004 at the rate of the county assessed value growth quotient (AVGQ). Beginning in 2005, each year's appropriation would equal the amount levied by the county in the previous year to fund the CMHC appropriation plus the AVGQ. The AVGQ is equal to the six-year average annual increase in Indiana nonfarm personal income. The AVGQ was 4.8% in CY 2003 and 4.7% in CY 2004. Based on the January 12, 2004, economic forecast, future AVGQs are estimated at 4.4% in CY 2005 and 3.9% in CY 2006. Each county would have the same growth rate.

Under current law, 2004 CMHC mandatory appropriations would, more or less, be equal to 2002 appropriations but under the amendment, the 2004 appropriation would be about 9.7% larger than the 2002 appropriation. Each year beginning with CY 2005, appropriations would grow at the AVGQ growth rate (about 4.4% in 2005 and 3.9% in 2006) instead of 3.3%. This analysis assumes that AV will continue to grow by about 3.3%.

(Revised) *County Optional Supplemental CMHC Appropriations:* Under current law, the optional supplemental appropriations available for each county must come from available funds under the county's maximum levy. This includes the current supplemental appropriation for all counties that is capped at the amount generated by a tax rate of $0.0333 and the additional optional Lake County appropriation that is capped at the amount generated by a tax rate of $0.01.

Under this bill, the appropriation caps for all supplemental appropriations would also grow at the same rate as the mandatory appropriations. This bill would also move the supplemental appropriations for all counties and the additional supplemental appropriation for Lake County outside of the maximum levy. This means counties could, at their option, increase their actual levies by the amount of the supplemental appropriations. The total amount of allowable supplemental appropriations (and possible levy increases) if all counties opt to appropriate the maximum amount allowed is estimated at $64.4 M in CY 2004, $68.3 M in CY 2005, and $70.9 M in CY 2006.

State Agencies Affected: Legislative Services Agency.

Local Agencies Affected: Community Mental Health Centers; Counties.

Information Sources: Local Government Database; *January 12, 2004, Revenue Forecast*, Revenue Technical Committee.

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